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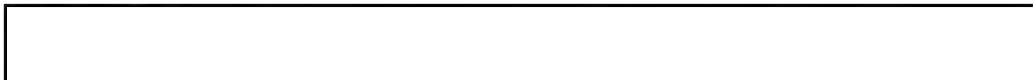
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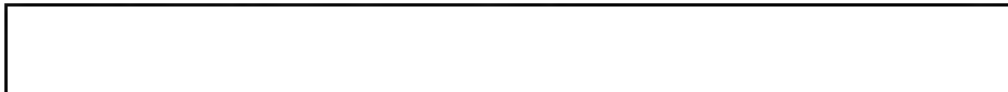


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ISRAEL

The Israeli Labor Party's announced decision yesterday to create a new consultative body, to include former prime minister Golda Meir, is a measure of the governing party's growing concern about Prime Minister Rabin's leadership. In recent weeks, Rabin's critics have been increasingly vocal about his failure to coordinate and consult more fully with key party leaders on broad questions of policy.

Most of Labor's important power centers are represented in the new group. In addition to Rabin, Defense Minister Peres, Minister of Justice Zadok, and minister without portfolio Galili—representing Labor's Rafi, Mapai, and Achdut Avoda factions, respectively—are also in the group. Meir, one of the party's most influential leaders, is apparently representing the old guard leadership. The Labor-dominated workers' confederation, the World Zionist Organization, and the Labor Party secretary general will also participate.

Formation of this Labor forum is probably designed in part to persuade Meir Zarmi to resume his duties as Labor Party secretary general. Zarmi resigned the post almost two weeks ago, and has been demanding a regular forum to enable Labor leaders in and out of the government to consult on major policy issues.

The group's composition is unlikely to satisfy the party's youth faction, which apparently will not be represented, or the backers of ex-ministers Eban and Dayan, both of whom have been among Rabin's severest critics.

Despite his reluctance to consult widely within the party, Rabin has been interested for some time in establishing a small group of Labor leaders to make decisions binding on the party and on such organizations as the workers' confederation as a way to strengthen his control over them.

It is not clear if the new group will have decision-making powers. Its composition, and particularly Meir's participation, suggest that it may become involved in formulating policy guidelines and perhaps be called on to deal with issues such as those affecting relations with the US.

Meir's role could be important in determining whether or not this new arrangement will affect Rabin's authority. If she plays an active role, and does so in close consultation with Rabin, his overall position as party and government leader will be strengthened. If, on the other hand, she appears to be giving only reluctant support to Rabin, his position will be further eroded and, in the long run, jeopardized.

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ZAIRE-ANGOLA

Zaire yesterday closed down the Kinshasa headquarters of the National Front for the Liberation of Angola, according to the government's news agency.

[REDACTED]

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The news agency's report of the closure indicated that the action was taken because recent National Front statements vowing to fight a guerrilla war inside Angola were contrary to the agreement reached last weekend between Mobutu and Angolan President Neto, pledging the two leaders to respect each other's territorial integrity. The Zairian foreign minister was said to have told newsmen that, in keeping with the agreement, Kinshasa would encourage Angolan refugees in Zaire to return to their homeland.

The report did not mention what would be done about National Front military forces that took refuge in Zaire. [REDACTED]

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[REDACTED]

Mobutu apparently carefully avoided making specific commitments to Roberto on aid, and is not likely to support any insurgency as long as the prospects for cooperation with the new regime in Angola appear good. Nevertheless, for the time being he will want to keep the Front alive to use against Neto in the event the Angolan leader does not live up to his part of their deal and decides to back an effort against Mobutu's regime by exiled Zairian dissidents.

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[REDACTED]

[REDACTED]

[REDACTED]

Changes in the Soviet Leadership

Dropped

Minister of Agriculture Polyansky, no longer in the Politburo.

His position there has been tenuous since February 1973, when he was demoted from first deputy premier. His loss of Politburo status removes him from the long-term succession race, but does not help to clarify the positions of other contenders. The move has no very clear implications for foreign policy, and only some murky hints for the problem of reorganization of management of industry and agriculture.

Promoted

Party Secretary Ustinov, from candidate to full member of the Politburo.

Ustinov is responsible for the defense industry and Soviet space efforts. He is primarily a manager, not a policy maker, despite his Politburo status. He has made his career in the government apparatus, worked closely with Premier Kosygin, and transferred to party work only in 1965. The promotion from candidate to full Politburo member will not significantly affect the political balance in the Kremlin and casts no light on succession. Ustinov is 67.

Leningrad party boss Romanov, from candidate to full member of the Politburo.

Romanov has been regarded as a comer, and his promotion is no great surprise. He has acquired national prominence as an innovative industrial manager—by Soviet standards. His long-term prospects for succession have been improved, but he must still get an assignment in Moscow to be a credible contender.

Azerbaijani party boss Aliyev, to candidate member of the Politburo.

Aliyev's promotion is essentially to provide Kremlin representation for the Caucasus region. That has been the only major geographic area without someone in the leadership since Georgian party boss Mzhavanadze's retirement under fire in 1972. Aliyev is a relatively young and quite vigorous leader. As a member of a minority nationality, however, he cannot be expected to move very fast or very far in the Kremlin hierarchy.

Chief of the Central Committee's General Department Chernenko, to party secretary.

Chernenko's promotion was foreshadowed by a series of awards he received on Tuesday. His career association with Brezhnev covers two decades. Their paths first crossed when Brezhnev was party boss of Moldavia in the early 1950s and Chernenko was engaged in propaganda and agitation work there. His more recent career specialization has been general administration, handling the leadership's paper work. He accompanied Brezhnev to Helsinki in 1975. Chernenko's promotion to the Secretariat, however, does little more than formalize an existing arrangement and strengthen Brezhnev's hand in that body.

Pravda chief editor Zimyanin, to party secretary.

Zimyanin is a Belorussian, with presumed links to first deputy premier Mazurov and Belorussian party boss Masherov. As *Pravda's* chief editor he has played an even-handed role on policy questions and avoided divisive issues. Zimyanin will probably pick up the slot for culture and the intelligentsia, vacant since Demichev's demotion to minister of culture in 1974.

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USSR

The minimal changes made in the Soviet leadership at the party congress yesterday indicate continuity in current policies and style of leadership. General Secretary Brezhnev's public stature has reached a new high, but he evidently will continue a consensus type of leadership in conjunction with the old guard of senior leaders.

There is still no sign of preparations for succession when Brezhnev eventually leaves office. Rejuvenation was not even attempted; the 77-year-old Pelshe remains, and the average age of full members of the Politburo is 66. While this stability implies that Brezhnev's position is secure, it also reflects the limits of his power and the continued sway of the collective.

Agricultural Minister Polyansky, dropped from the Politburo, was the leadership's scapegoat for the harvest failures.

Two candidate members of the Politburo were promoted to full membership. Party secretary Ustinov, in charge of the defense industry and space, completes the representation on the Politburo of major officials responsible for foreign policy and defense. He joins Foreign Minister Gromyko, Defense Minister Grechko, and KGB chairman Andropov, who have been added to the Politburo since the USSR embarked on detente. The other new full member, Leningrad party chief Romanov, represents the country's second city and is a spokesman for innovation in economic organization.

Azerbaijani party chief Aliyev became a candidate member of the Politburo. The Caucasus republics had lacked representation since Georgian party boss Mzhavanadze was dropped as a candidate member in 1972.

Two new faces were added to the party secretariat. *Pravda* chief editor Zimyanin will presumably oversee cultural affairs and the intelligentsia, a post vacant since Petr Demichev was demoted to minister of culture in 1974. The other new secretary is Konstantin Chernenko, a long-time confidant of Brezhnev. As chief of the Central Committee's general department, he has served in the role of an executive secretary to the Politburo.

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UK

Sterling dropped through the psychologically important \$2.00 point for the first time yesterday, closing at \$1.9815 in heavy trading. Narrowing interest rate differentials and the announcement of a drop in US wholesale prices during February contributed to the pound's 1.6-percent decline yesterday. The Bank of England apparently did not intervene heavily.

The proximate cause of yesterday's decline was a cut of one quarter of a percentage point in the Bank of England's minimum lending rate—the rate at which it lends to approved banks against securities. This move, coupled with recent increases in US short-term rates, makes sterling relatively less attractive to investors.

The underlying cause of sterling's weakness is British inflation. While much below earlier levels, inflation rates in the UK remain far above those of other major industrial countries. In the three months ending January 31, UK industrial wholesale prices rose at an annual rate of 17 percent, compared with an annual rate of 6 percent in the US during the same period.

London's decision to lower the minimum lending rate in the face of rising US short-term interest rates indicates a British willingness to allow sterling to decline in order to prevent further erosion of the trade competitiveness of British products. Bank of England intervention policy is apparently aimed at smoothing the decline rather than resisting it. Until inflation is further reduced, Britain will probably allow further depreciation of the pound.

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ITALY

The independent stance taken by Italian Communist leader Berlinguer in his address to the Soviet party congress last week has stirred considerable debate in Italy but, on balance, seems likely to enhance Berlinguer's prestige and buttress his claim to lead an autonomous, nationally oriented party.

In his speech, Berlinguer attributed his party's success to its policy of adapting to the "peculiar character" of Italy. He stressed the Italian Communists' pledge to guarantee various liberties and reiterated his willingness to work "within the framework" of Italy's existing alliances, i.e., without challenging Italian membership in NATO.

Berlinguer's speech did not persuade conservative Italians who doubt his party's independent credentials. One conservative daily, for example, called it a "masterpiece of duplicity." The address did provide additional ammunition for those in Italy—a majority of media commentators, for example—who seem inclined to give the Communists the benefit of the doubt. Comment in the centrist press generally saw Berlinguer's performance as a positive development and one independent left-leaning daily went so far as to term Berlinguer's speech the "final detachment" from Moscow.

Berlinguer's performance also drew favorable comment from the Socialist Party, which is debating at its congress this week whether to revive its alliance with the Christian Democrats or to move toward closer relations with the Communists. Socialist chief De Martino praised Berlinguer liberally for making an "historic choice" in Moscow and explicitly accepted the choice as genuine rather than tactical. De Martino maintained, however, that the Communists have not achieved the total autonomy from Moscow that he says is one of the prerequisites for a Communist-Socialist alliance in Italy.

The Communists, meanwhile, have taken advantage of the publicity given Berlinguer's address to reiterate their position on NATO and to highlight West German Chancellor Schmidt's alleged comment in a press conference late last month that NATO is sufficiently "elastic" to include governments with Communists.

The official Communist organ, *L'Unita*, contrasted the comments attributed to Schmidt with recent remarks by US officials opposing Communist membership in NATO governments. *L'Unita* concluded that NATO was divided on the question and that, in the event of Communist participation in the Italian government, the US view would not necessarily be the decisive one.

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West German officials have told the US embassy in Bonn that Schmidt's remarks were distorted by the Italian press and do not represent a change in his negative view of Communist membership in NATO governments. According to one of Schmidt's aides, the Chancellor was only trying to say that Communists in the Italian government would not automatically lead to Italy's expulsion from NATO.

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FRANCE

French politicians will be watching tomorrow's cantonal elections closely for signs of new trends or shifts in the political balance.

The two-round balloting, which concludes on March 14, will be the first major election in France since the presidential contest in 1974. Fifteen cabinet members and nearly 200 deputies and senators will be defending their general council seats, although their positions at the national level will not be affected by the outcome.

The left opposition, which expects to make significant gains, has tried to emphasize the national importance of the elections. The government has played it down, stressing that most contests will be decided on local issues.

If opposition gains are impressive, the left may charge that the government is unrepresentative and perhaps even try to force President Giscard to call parliamentary elections before their regularly scheduled date in 1978.

The left's ability to exploit the results will be reduced if there is a low turn-out, as is usually the case. Only about half of the eligible voters turned out to vote in the last cantonal elections in 1973.

If Communist Party gains in the election are as substantial as predicted, party leader Marchais will see them as vindicating his recent efforts to stake out an independent position in his party's relations with the Soviet Union. The election is the first test of Communist strength since the French party congress in early February.

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ETHIOPIA

The ruling military council is continuing to arrest persons suspected of collaborating with its conservative foes or otherwise opposing its socialist revolution.

The US embassy has received reports that up to 2,000 arrests have occurred since the crackdown began two weeks ago. A large proportion of recent detainees has been military officers and Addis Ababa merchants.

Earlier arrests were directed mainly against prominent figures from the old regime, government officials, and Addis Ababa residents from northern Ethiopia suspected of collusion with dissident movements in the northern provinces.

The government-controlled media, meanwhile, has provided a rare public airing of a basic dispute within the council over the kind of political institutions Ethiopia should have.

On February 28, the Amharic language newspaper, *Addis Zemen*, published a long article calling on the council to set a date for a return to civilian rule and to form a new government in preparation for turning power over to civilians. The article also proposed the establishment of a multi-party system—a proposal directly counter to the council's announced intention to create a single ruling party. In addition, the article called for a peaceful solution to the guerrilla war in Eritrea Province.

Publication of the article almost certainly required the approval of at least some members of the council. It clearly does not reflect the ruling group's official policy, however. In recent weeks the paper has published a regular column airing diverse views on Ethiopian politics, including some clearly hostile to the military government.

The day before the article calling for the return to civilian government appeared, Addis Ababa radio broadcast a statement attributed to the military council, criticizing those who advocate a new government and a return to civilian rule. [REDACTED]

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ISRAEL

Israeli leaders are concerned about Syrian intentions in the coming months. This is in marked contrast to their views on Egypt, which, following the completion of the redeployment of forces under the Sinai II agreement, have been positive in tone.

Prime Minister Rabin stated in an interview on February 20 that Syria will attempt to use US sensitivity to a Middle East crisis in an election year to further its goals, and that this effort will be linked to the extension of the UN Disengagement Observer Force (UNDOF) on the Golan Heights, which is due to expire on May 30. He indicated that Syria would be prepared to take risks that might lead to war as part of this effort.

Speaking to a closed session of the Labor Alignment Executive on March 1, Rabin reportedly said that Syria had begun to take certain steps which created the suspicion that it may lose control of the developing situation. He noted that the late Egyptian president Nasser had not intended to start a war in 1967 but that his actions established a momentum towards hostilities which he could not control.

Defense Minister Peres and minister without portfolio Galili commented on the question of war with Syria in separate forums on March 3. While on a tour of settlements along the northern border, Peres stated that the main threat presently comes from the Syrians, who are trying to increase their military influence in Lebanon and turn it into a confrontation state. Galili, in an address to students in Haifa, stated that Israel would have no reason to attack Syria unless it became clear that holding back would permit a fatal attack by the Syrians.

These statements sharply contrast with those being made regarding Egypt and its policies. In his February 20 interview, the Prime Minister said that he "did not believe that in 1976 Egypt will be the side to push toward war against Israel." On March 1, he criticized the Israeli media for not paying sufficient attention to Egyptian President Sadat's remarks in Kuwait indicating that Cairo will not feel obligated to come to Syria's assistance if Damascus starts a war against Israel. Galili, in his speech at Haifa, also positively referred to Sadat's remarks in Kuwait. Peres, speaking to a full session of the Knesset on March 3, said that Egypt appeared to have signed the Sinai II agreement with a view to observing it and had consistently rejected pressures to overturn the agreement.

These statements clearly indicate an Israeli concern over possible Syrian actions in the coming months. Syrian brinkmanship prior to the renewal of the UNDOF mandate last November was regarded as an ominous development by Israeli decision

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makers, and they are preparing for similar brinkmanship as May approaches. Regarding Egypt, the Israeli government appears to be convinced that the threat has been reduced, at least somewhat, and is playing this up in all public forums as justifying its decision to conclude the Sinai II agreement. There is, however, continued concern over the Egyptian role should hostilities resume. The Israelis fear that Cairo would inevitably be drawn into a future conflict, and Rabin and his cabinet are closely watching for any indication of what Sadat will do if tensions increase. [REDACTED]

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JAPAN-CHINA

Domestic political difficulties in Peking and Tokyo may be working to delay the conclusion of a Sino-Japanese peace treaty.

Given the current degree of factional turmoil within the Chinese leadership, Peking probably does not wish to face up to the treaty problem at this time. In any case, the Chinese recently began broadcasting explicit criticism of a suggestion regarding the treaty made by Japanese Foreign Minister Miyazawa in the Diet last November. At that time, Miyazawa announced a four-point Japanese interpretation of the anti-hegemony clause that Peking has insisted be included in the treaty. Peking's new criticism of the interpretation is low keyed and unlikely to develop into an abrasive campaign. Nevertheless, it signals Peking's unwillingness to explore further a compromise solution with Tokyo at this time.

Japanese leaders, fully preoccupied by the Lockheed scandal, are unlikely to begin deliberating on the next step to be taken on the treaty any time soon. Their uncertainty about the leadership situation in Peking is another restraining factor. Neither Tokyo nor Peking is under any pressure to conclude a treaty; both would probably prefer to wait for more favorable circumstances in which to resolve the anti-hegemony impasse. [REDACTED]

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PERU

Conservative military discontent over the leftist policies of Prime Minister Fernandez Maldonado and his coterie of leftist civilian advisers may have reached a boiling point. The US embassy reports that Lima is rife with rumors of imminent political change, but thus far no changes in senior military personnel have been confirmed. The strategic armored division in Lima and perhaps others key units throughout Peru have been put on alert.

This past week, the Morales Bermudez government has been whipsawed by seemingly irreconcilable demands from the business community and the labor unions.

The labor unions are capitalizing on general discontent over rising prices and food shortages to put pressure on the government to modify the effects of its austerity program, including wage restraints on some labor groups. To this end, they have staged strikes and protests in several cities. In the southern city of Arequipa, the strikers have joined the general public in protesting the recent rise in bus fares. They have paralyzed Trujillo in the north.

Businessmen, particularly in the construction industry, want the government to repeal or modify recent decrees that hurt their operations. While they have previously attacked restrictions on the sale and exploitation of undeveloped land, they have also criticized a moratorium on rent hikes. The private sector is blaming leftist Prime Minister Fernandez Maldonado and the leftist civilians whom the President has kept in the government.

Morales Bermudez has thus far refused to take any action against his prime minister, preferring to keep his chief political rival in easy reach rather than allowing him to run loose among his leftist supporters. Discontent over this issue is unlikely to subside, until the President takes definitive action against Fernandez Maldonado.

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FOR THE RECORD

MALAYSIA: Prime Minister Hussein Onn has announced the appointment of Education Minister Mahathir bin Mohamed as his new deputy prime minister, ending several weeks of maneuvering within the country's dominant political party. Mahathir was an early advocate of the government's now well-established Malayanization policy and is still regarded as a leading advocate of preferential treatment for the Malays. His appointment will cause some apprehension among the country's large Chinese community. The new deputy prime minister is generally regarded as one of the country's more thoughtful and able administrators, however, and these factors may have weighed more heavily in his selection than his party credentials or his racial views.

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